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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

RECD S.E.C.
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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File No. 0-11030

VOLUNTEER BANCSHARES, INC.
(Exact name of registrant as specified in its Charter)

Tennessee	62-1117331
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Jackson Place, Jackson, Tennessee	38301
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number: (901) 422-9200

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, $1.00 par value
(Title of Class)

PROCESSED BY
MAY 18 1992
19-17-V
120
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Indicate by checkmark whether the registrant ( ) required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ____

On April 30, 1992 there were 2,305,194 shares of the Registrant's common stock outstanding.

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1086 103

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WASHINGTON, D.C. 20549

FORM 10-Q

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VOLUNTEER BANCSHARES, INC.
and Subsidiaries

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Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	
The information required by this item is incorporated herein by reference to pages 11-13 of the first quarter shareholder's report, a copy of which is attached hereto as Exhibit 20.	Incorporated By Reference
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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(20) Quarterly Report to Shareholders for the period ended March 31, 1992.

(b) Reports on Form 8-K

In January 1992, a Form 8-K was filed regarding a letter from a financial institution indicating an interest in pursuing discussions to acquire all of the outstanding stock of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VOLUNTEER BANCSHARES, INC.
Registrant

Date: May 14, 1992

By: R. Bradley Hancock
R. Bradley Hancock
(Chief Financial Officer)

Corporate Offices
Volunteer Bancshares, Inc.
One Jackson Place
Jackson, Tennessee 38301
(901) 422-8200

Jackson National Bank
Jackson, Tennessee

Milan Banking Company
Milan, Tennessee

First National Bank of Selmer
Selmer, Tennessee

Citizens State Bank
Trenton, Tennessee

VOLUNTEER BANCSHARES, INC.
and Subsidiaries

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Volunteer Bancshares, Inc.

Dear Shareholders:

The financial results for the first quarter certainly start 1992 in grand fashion with strong earnings growth and continued financial stability for your Company.

Net income for the first quarter ended March 31, 1992 was $951,000 compared to $708,000 for the quarter ended March 31, 1991, representing a $243,000 or 34.3% increase. Earnings per share were $.41 and $.32 for the quarters ended March 31, 1992 and 1991, respectively. The increase in net income between the first quarter, 1991 and the first quarter, 1992 is primarily due to an increase in net interest income.

Total interest income as of March 31, 1992 and March 31, 1991 was $8,319,000 and $8,425,000, respectively, while total interest expense was $3,863,000 and $4,799,000 for the same periods. Net interest income for the quarter ended March 31, 1992 was $4,456,000, representing an $830,000 or 22.9% increase over the $3,626,000 reported for the quarter ended March 31, 1991. The net interest spread for the Company was 4.15% and 3.54% for the periods ended March 31, 1992 and March 31, 1991, respectively. Although the increase in the Company's net interest spread is primarily the result of lower rates paid on deposits, earning asset yields have been maximized despite several rate declines since the first quarter of 1991.

Total other income was $723,000 for the three months ended March 31, 1992 versus $631,000 for the same three month period a year ago, representing a $92,000 or 14.6% increase. Increases in trust income and service charges on deposits of $21,000 and $57,000, respectively, were the primary sources of this increase.

Total other expenses were $3,327,000 and $2,934,000 for the three months ended March 31, 1992 and 1991, respectively. The $393,000 or 13.4% increase was primarily due to a $49,000 increase in the deposit insurance paid to the FDIC and a $227,000 increase in salaries and employee benefits.

Earning assets were $376,729,000 as of March 31, 1992 compared to $347,175,000 as of March 31, 1991, representing an increase of $29,554,000 or 8.5%. Total assets at March 31, 1992 and 1991 were $400,508,000 and $370,059,000, respectively, representing an increase of $30,449,000 or 8.2%. The increase between March 31, 1991 and March 31, 1992 was primarily the result of the acquisition of Citizens State Bank in Trenton, Tennessee in October 1991.

Total Shareholders' Equity was $34,667,000 and $31,826,000 at March 31, 1992 and 1991, respectively, representing a 8.9% increase. The Company maintains a strong equity position with an 8.66% equity to assets ratio at March 31, 1992. The Company's return on assets was .95% and .79% for the quarters ended March 31, 1992 and 1991, respectively and the return on equity was 10.95% and 9.01% for the same two periods.

On April 2, 1992, Aubrey Patterson, Chief Executive Officer of Bancorp of Mississippi and I jointly announced that a definitive agreement has been signed for Bancorp of Mississippi to acquire Volunteer Bancshares, Inc. The acquisition is subject to various conditions, including approval of the Federal Reserve Board and approval of Volunteer and Bancorp shareholders.

At the Annual Meeting held on April 21, 1992, the shareholders elected six directors and ratified the appointment of Arthur Andersen & Co., as independent public accountants.

The remainder of 1992 will be an exciting time and we are looking forward to being affiliated with Bancorp of Mississippi. We appreciate your continued support during this merger and are happy with the shareholder value it provides, as well as the opportunities for our employees, our customers and the communities we serve.

Sincerely,

Ray Tanner
Chairman, President and
Chief Executive Officer

VOLUNTEER BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Condition
(Unaudited, in Thousands)

Assets:

Cash and due from banks

Investment securities (market value—$101,813,000 at March 31, 1992, $91,933,000 at December 31, 1991 and $84,074,000 at March 31, 1991)

Federal funds sold

Loans

Less: Unearned income

Allowance for possible loan losses

Net loans

Premises and equipment

Other assets

Total Assets

Liabilities:

Deposits:

Non-interest bearing

Interest-bearing

Total deposits

Short-term borrowings:

Federal funds purchased and securities sold under agreements to repurchase

Interest-bearing demand notes issued to the U.S. Treasury and other liabilities for borrowed money

Total short-term borrowings

Other liabilities

Total Liabilities

Shareholders' Equity:

Common stock, par value $1 per share:
Authorized — 9,000,000 shares;
Issued and outstanding —
2,305,194 shares at March 31, 1992;
2,285,482 shares at December 31, 1991;
2,230,885 shares at March 31, 1991

Capital surplus

Retained earnings

Total Shareholders' Equity

Total Liabilities & Shareholders' Equity

See Notes to Consolidated Financial Statements

	March 31, 1992	December 31, 1991	March 31, 1991
.....	$ 13,888	$ 19,636	$ 13,064
.....	100,304	89,530	83,522
.....	30,350	33,150	27,650
.....	264,980	262,747	243,544
.....	9,106	8,599	7,541
.....	3,239	2,888	2,686
.....	252,635	251,260	233,317
.....	8,137	8,034	7,612
.....	5,794	5,166	4,994
.....	$400,588	$406,776	$370,059
.....	$ 40,231	$ 39,511	$ 36,436
.....	314,011	307,281	276,972
.....	354,242	346,792	313,408
.....	7,943	21,539	21,020
.....	200	801	459
.....	8,143	22,340	21,479
.....	3,456	3,775	3,346
.....	368,041	372,907	338,233
.....	2,305	2,286	2,231
.....	12,991	12,383	11,855
.....	19,771	19,200	17,740
.....	34,447	33,869	31,826
.....	$400,588	$406,776	$370,059

VOLUNTEER BANCSHARES, INC.
AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

Interest Income
- Loans, including fees
- Investment securities:
  - Taxable
  - Tax-exempt
- Federal funds sold
  - Total interest income

Interest Expense
- Deposits
- Short-term borrowings
  - Total interest expense
  - Net interest income
- Provision for possible loan losses
  - Net interest income after provision for possible loan losses

Other Income
- Fiduciary income
- Service charges on deposits
- Other service charges, commissions and fees
- Investment securities gains (losses)
- Other
  - Total other income

Other Expenses
- Salaries and employee benefits
- Occupancy expense, net
- Furniture and equipment expense
- FDIC insurance expense
- Other
  - Total other expenses
  - Income before income taxes
- Applicable income taxes
  - Net income

Net income per common share
Average shares outstanding

See Notes to Consolidated Financial Statements

	Three Months Ended March 31,	
	1992	1991
	(In Thousands, Except Per Share Amounts and Average Shares Outstanding)	
	$6,225	$6,464
	1,410	1,350
	461	362
	223	249
	8,319	8,425
	3,766	4,472
	97	327
	3,863	4,799
	4,456	3,626
	541	304
	3,915	3,322
	110	89
	439	382
	143	144
	11	(25)
	20	41
	723	631
	1,730	1,511
	262	253
	309	375
	197	146
	821	647
	3,327	2,934
	1,311	1,019
	360	311
	$ 951	$ 708
	$ .41	$ .32
	2,308,122	2,229,230

VOLUNTEER BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited, in Thousands)

Cash flows from operating activities:
- Net income
- Adjustments to reconcile net income to cash provided by operating activities:
  - Depreciation and amortization
  - Net accretion of discounts on investment securities
  - Provision for loan losses
  - Net (gain) loss on disposition of assets
  - Increase in other assets
  - Decrease in other liabilities
  - Total adjustments
- Net cash provided by operating activities

Cash flows from investing activities:
- Proceeds from sales and maturities of investment securities
- Purchases of investment securities
- Net increase (decrease) in loans outstanding
- Purchases of premises and equipment and other
- Net cash provided by (used in) investing activities

Cash flows from financing activities:
- Net increase in demand and savings deposits
- Net increase (decrease) in short-term borrowings
- Proceeds from issuance of common stock
- Dividends paid
- Net cash provided by (used in) financing activities

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

Supplemental disclosures of cash flow information:

Cash paid during the period for:
- Interest
- Income taxes

See Notes to Consolidated Financial Statements

	Three Months Ended March 31,	
	1992	1991
	$ 951	$ 708
	224	193
	(333)	(355)
	541	304
	(11)	24
	(685)	(350)
	(323)	(200)
	(587)	(384)
	364	324
	7,920	6,907
	(18,549)	(4,042)
	(1,915)	469
	(327)	(729)
	(12,871)	2,605
	7,450	12,319
	(14,197)	461
	283	138
	(377)	(367)
	(6,841)	12,551
	(19,348)	15,480
	52,786	25,234
	$33,438	$40,714
	$ 3,931	$ 4,894
	$ 69	$ 228

VOLUNTEER BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

Balance, January 1, 1991	
Net Income	
Sale of Common Stock:	
Dividend Reinvestment Plan	
Optional Cash Purchases	
Cash Dividends Declared on Common Stock – $.16½ per share	
Balance, March 31, 1991	
Balance, January 1, 1992	
Net Income	
Sale of Common Stock:	
Dividend Reinvestment Plan	
Optional Cash Purchases	
Cash Dividends Declared on Common Stock – $.16½ per share	
Balance, March 31, 1992	

See Notes to Consolidated Financial Statements

VOLUNTEER BANCSHARES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

Summary of Accounting Policies

The accompanying consolidated financial statements have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These condensed financial statements should be read in conjunction with the financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1991. The condensed financial information for December 31, 1991 has been summarized from audited financial statements as of that date.

In the opinion of management, all adjustments and disclosures are of a normal recurring nature and the statements summarize fairly the financial position of the Company as of March 31, 1992.

Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Total
(In Thousands, Except Number Of Shares)				
2,215,593	$2,216	$11,721	$17,399	$31,336
			708	708
13,729	14	119		133
1,563	1	15		16
			(367)	(367)
2,230,885	$2,231	$11,855	$17,740	$31,826
2,285,482	$2,286	$12,383	$19,200	$33,869
			951	951
14,121	14	147		161
5,591	5	61		66
			(380)	(380)
2,305,194	$2,305	$12,591	$19,771	$34,667

December 31, 1991, and March 31, 1991, the results of operations for the three months ended March 31, 1992 and 1991, and cash flows for the three months ended March 31, 1992 and 1991 and changes in shareholders' equity for the three months ended March 31, 1992 and 1991. All significant intercompany transactions have been eliminated.

Reference is made to Note 1 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, for a description of the more significant accounting policies of the Company and its subsidiaries.

Investment Securities

The estimated market value of investment securities was $101,813,000, $91,933,000 and $84,074,000 at March 31, 1992, December 31, 1991 and March 31, 1991, respectively.

Investment securities carried at approximately $45,078,000, $53,301,000 and $47,544,000 were pledged to secure public funds, trust balances and other balances on deposit as required by law, at March 31, 1992, December 31, 1991 and March 31, 1991, respectively.

Notes to Consolidated Financial Statements (continued)

Allowance for Possible Loan Losses

Activity in the allowance for possible loan losses was as follows:

	1992	1991
	(In Thousands)	
Balance at January 1	$2,808	$2,664
Add (Deduct):		
Losses charged to reserve	(330)	(456)
Recoveries credited to allowance	160	176
Provision for possible loan losses	341	304
Balance at March 31	$3,239	$2,686

Income Taxes

The difference between the Company's effective income tax rate and the statutory Federal income tax rate is due primarily to the effect of tax-exempt income from municipal securities which totalled $461,000 and $362,000 for the three month periods ended March 31, 1992 and 1991, respectively.

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes" effective for fiscal years beginning after December 15, 1992. A requirement of SFAS No. 109 is that deferred tax liabilities or assets at the end of each period be determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Accordingly, under the new rules, income tax provisions will increase or decrease in the same period in which a change in tax rates is enacted. Previous rules required providing deferred taxes using rates in effect when the tax asset or liability was first recorded, without subsequent adjustments solely for tax rate changes. When the Company adopts the new accounting rules, it may record the cumulative effect in that year or it may restate prior financial statements, including the financial statements presented in this quarterly report. The Company has not decided when to adopt SFAS No. 109 or whether to restate prior financial statements when adoption occurs. Based on a preliminary analysis, management does not believe the adoption of SFAS No. 109 will have a material effect on the Company's consolidated financial position or results of operation.

Acquisition

On April 3, 1992, Ray U. Tanner, Chief Executive Officer of Volunteer Bancshares, Jackson, Tennessee, and Aubrey Patterson, Chief Executive Officer of Bancorp of Mississippi, jointly announced that the two companies have signed a definitive agreement for Bancorp of Mississippi to acquire Volunteer Bancshares. Under the agreement, Volunteer Bancshares shareholders will receive .7769 shares of Bancorp of Mississippi stock for each share of Volunteer Bancshares stock, subject to certain possible adjustments. Based upon the existing market price of Bancorp's Common Stock, the total value of the transaction exceeds $87.5 million. The acquisition is subject to various conditions, including approval of the Federal Reserve Board and approval of Volunteer and Bancorp shareholders.

VOLUNTEER BANCSHARES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial statements presented herein are based in part on estimates and include all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations in interim periods. These interim results do not necessarily reflect the results anticipated for the entire fiscal year.

Net Income

Net income for the first quarter of 1992 compared to 1991 was $951,000 and $708,000, respectively, representing a $243,000 or 34.3% increase. Earnings per share for the first quarter of 1992 were $0.41 compared to $0.32 for the same period a year ago. The increase in first quarter 1992 net income was primarily attributable to an improved net interest spread resulting from a decline in interest rates. Applicable income taxes for the first quarter of 1992 were $360,000 or 27.5% of income before income taxes compared to $311,000 or 30.5% for the same quarter of 1991.

Interest Income

Interest and fees earned on loans were $6,225,000 for the first three months of 1992 compared to $6,464,000 for the same period of 1991 reflecting a $239,000, or 3.7% decrease. The decrease in interest on loans for the first quarter of 1991 compared to the first quarter of 1992 was due to a declining interest rate environment. At March 31, 1991 the average yield on loans was 10.09% compared to 9.59% at March 31, 1992. Net loans at March 31, 1992 of $252,635,000 have increased by $19,310,000, or 8.3% from $233,327,000 at March 31, 1991 while increasing slightly by $1,375,000 from $251,260,000 at December 31, 1991. The interest earned on investment securities decreased from $1,712,000 for the three months ended March 31, 1991 to $1,671,000 for the three months ended March 31, 1992. Balances associated with these securities were $103,934,000 at March 31, 1992 and increased by $16,982,000 from $86,952,000 at March 31, 1991 and by $10,974,000 from $99,530,000 at December 31, 1991. Earning assets were $376,729,000 and $347,175,000 as of March 31, 1992 and 1991, respectively, representing a $29,554,000, or 8.9% increase, and when compared to December 31, 1991, have decreased slightly by $99,000 from $376,828,000. The overall yield on earning assets, on a fully tax equivalent basis, was 9.01% and 10.11% for the three month periods ended March 31, 1992 and 1991, respectively. The decrease in the yield was primarily due to lower interest rates which also accounted for the decrease of $106,000 or 1.3% in interest income to $8,319,000 at March 31, 1992 compared to $8,425,000 at March 31, 1991. Average earning assets as a percentage of average total assets for the first three months of 1992 were 93.8% compared to 93.5% for the same period in 1991.

Interest Expense

Total interest expense for the first three months of 1992 was $3,963,000 compared to $4,749,000 for the same period last year, representing a $936,000, or 19.9% decrease and was $4,962,000 for the three months ended December 31, 1991 representing a $699,000, or 15.3% decrease. Interest expense on deposits was $3,706,000 for the three months ended March 31, 1992 compared to $4,472,000 for the same period last year, a decrease of $710,000, or 15.8%. Although deposit balances have increased by $40,834,000 or 13.4%, since March 31, 1991 and by $7,490,000 or 2.2% since December 31, 1991, overall lower interest rates

paid on deposits resulted in the decline in interest expense. The composite cost of funds was 4.99% and 6.57% for the periods ended March 31, 1992 and 1991, respectively.

Net Interest Income

Net interest income was $4,450,000 versus $3,626,000 for the quarters ended March 31, 1992 and 1991, reflecting an increase of $824,000 or 22.7%. The net interest spread of the Company was 4.19% and 3.54% for the three months ended March 31, 1992 and 1991, respectively. The increase in the Company's net interest spread is primarily the result of lower rates paid on deposits.

Provision for Possible Loan Losses

The provision for possible loan losses is the charge to income necessary to maintain the allowance for possible loan losses at a level considered adequate to absorb potential future losses on existing loans. The provision for possible loan losses was $541,000 for the quarter ended March 31, 1992 compared to $300,000 for the same period of 1991. Loans charged against the allowance, less recoveries, were $190,000 for the three months ended March 31, 1992 compared to $202,000 for the three months ended March 31, 1991. The allowance for possible loan losses was $3,239,000, $2,868,000 and $2,466,000 at March 31, 1992, December 31, 1991 and March 31, 1991 respectively, and as a percentage of gross loans net of unearned income was 1.25%, 1.14% and 1.14% respectively. Of the $553,000 increase in the allowance for possible loan losses between March 31, 1991 and March 31, 1992, $244,000 is the result of the Citizens State Bank, Trenton, Tennessee acquisition in October, 1991. The remainder of the increase resulted from management's continuing philosophy to maintain a strong allowance for loan losses in light of a general weakening of economic conditions over the past year. Non-performing and restructured loans were $8,192,000 as of March 31, 1992, up slightly from $4,980,000 as of December 31, 1991. The Company had non-performing loans of $4,327,000 as of March 31, 1992 and $4,948,000 as of December 31, 1991, representing 1.66% and 1.9% of total loans net of unearned income as of those dates, respectively. The decrease in non-performing loans was primarily the result of the restructuring of a loan previously classified as non-performing. Restructured loans were $625,000 and $32,000 at March 31, 1992 and December 31, 1991, respectively. Management believes that potential losses from the loan portfolio have been properly considered in determining the adequacy of the allowance for possible loan losses based on an evaluation of the loan portfolio, past loan loss experience and current economic conditions.

Non-Interest Income and Expense

Total non-interest income increased $92,000 or 14.6% comparing the first three months of 1992 with the first three months of 1991. Trust income was $110,000 compared to $89,000 for the three months ended March 31, 1992 and 1991, respectively, representing an increase of $21,000 or 23.6%, primarily due to an increase in the number of trust accounts serviced. Service charges on deposits increased $67,000 or 14.9% between the same two three month periods, which is primarily attributable to pricing changes to various products to recover a portion of the increase in the Federal Deposit Insurance Corporation (FDIC) insurance expense. Security transactions, which fluctuate from time to time based on market conditions, resulted in gains of $11,000 and losses of $25,000 for the three month periods ending March 31, 1992 and March 31, 1991, respectively. Total non-interest expense increased $395,000 between the first three months of 1991 and 1992. This increase is primarily attributable to increases of $227,000 in salaries and employee benefits expense and $49,000 in FDIC insurance paid on deposit balances. The acquisition of Citizens State Bank, Trenton,

Tennessee in October 1991 represented approximately $230,000 or 60.6%, of the $393,000 increase in total non-interest expense between the first quarters of 1991 and 1992.

Capital

In 1990, the regulatory authorities which supervise the activities of the Company and its banking subsidiaries approved guidelines concerning measurement of risk exposure in banking organizations relative to capital. The measurement, known as Risk-Based Capital, divides capital into two categories, Tier I, which is primarily limited to shareholders' equity, and Tier II, which is composed mainly of the allowance for loan losses. Each tier is divided by risk-weighted assets, including on-and-off balance sheet items. Risk weightings are intended to reflect the creditworthiness of assets and off-balance sheet items. The new risk-adjusted capital guidelines became effective in the first quarter of 1991, with final guidelines to be in place by year-end 1992. The required minimum capital standards as of March 31, 1992 were 3.625% and 7.25%, for Tier I and Total Risk-Based Capital, respectively. By December 31, 1992, the required minimums for Tier I and Total Risk-Based Capital are 4.0% and 8.0% respectively. At March 31, 1992, the Company had risk-weighted assets totalling approximately $284,000,000. At March 31, 1992, Tier I and Total Risk-Based Capital as a percentage of risk-weighted assets were 12.2% and 13.4%, respectively, which exceeded required minimum levels by approximately $24,353,000 and $17,466,000, respectively. During 1990, regulators also established a new minimum leverage capital ratio (Tier I Capital divided by total assets, less goodwill) of 4.00%. At March 31, 1992, the Company's leverage capital ratio was 8.60%, exceeding required minimum levels by approximately $10,411,000.